



融信資源
R R H L

ROSAN RESOURCES HOLDINGS LIMITED

融信資源控股有限公司

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立之有限公司)

(Stock code 股份代號: 578)

2019
ENVIRONMENTAL, SOCIAL AND
GOVERNANCE REPORT
環境、社會及管治報告

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SCOPE AND REPORTING PERIOD

This is the fourth Environmental, Social, and Governance (ESG) report of Rosan Resources Holdings Limited (hereafter the Group), highlighting its ESG performance, with disclosure reference made to the ESG Reporting Guide as described in Appendix 27 of the Listing Rules and Guidance set out by The Stock Exchange of Hong Kong Limited.

This ESG report covers the Group's overall performance in two subject areas, namely, Environmental and Social of its subsidiaries stated below in Henan Province, the People's Republic of China (PRC), from 1 January 2019 to 31 December 2019 ("Reporting Period"), unless otherwise stated.

- Xiangyang Coal Industry Company Limited ("Xiangyang Coal Mine")
- Henan Xingan New Building Materials Co., LTD. ("Xingan Materials")
- Henan Coal-trading Office Operation ("Henan Office")

The said subsidiaries principally engaged in the production, sales, and trading of coal, and the production and sales of building materials. Compared to the previous reporting period, Xingyun Coal Industry Company Limited ("Xingyun Coal Mine") and Xiaohe Coal Industry Company Limited ("Xiaohe Coal Mine") were omitted from the report. This is because Xingyun Coal Mine and Xiaohe Coal Mine were disposed of during the year and relevant data is not readily accessible. The building materials companies acquired in 2018, Tairun Materials, that provides manufacturing, leasing, sales, and installation of aluminium alloy building formwork, is still out of the scope as it was still in pilot production stage without significant contributions to the Group during the reporting period.

THE GROUP'S SUSTAINABILITY MISSION AND VISION

The directors and the senior management of the Company firmly believe that the Group's long-term interests will be affected by its performance in addressing key ESG issues. It therefore regards that adopting an economic efficient and sustainable approach when outlining its policies will reward the environment, society, stakeholders, and the Group as a whole. To achieve this, the Group has established plans to implement measures and monitor the progress of managing its ESG relevant issues. It hopes that ESG matters can be taken into consideration throughout the Group's operations, as well as when managing its investments.

In terms of its environmental performance, the Group will further enhance its production plants' environment protection measurements, especially that of the building materials business, which has continuously obtained government subsidies for materials recycling. The Group is also keen on carrying out seasonal environmental inspection and deal with any red flags that may bring about potential harm to the environment.

With regards to social issues, the Group is determined to put production safety at the top of the agenda. It aims to protect employees from any working hazards by keeping the working environment safe. In face of the coronavirus disease 2019 (COVID-19), the Group is also cautious in arranging work for employees to prevent the spread of the disease by keeping the workplace ventilated and practising distancing measures. It is determined that even if the last resorts of re-adjustment of salary or lay-offs are necessary, the rights of its employees shall be protected.



The implementation of such plans are to be supported by providing relevant training, where employees' awareness and knowledge on ESG-related matters will be strengthened, be it on the need of complying with and way of following environmental regulations, or the rights and protective measures they shall be granted as an employee. Conversations are also to be made with stakeholders such that their concerns are addressed and followed up. The internal audit department of the Group will be responsible for monitoring and making sure that the Group acts on the ESG measures and carries out its social responsibility. Third party professionals are also appointed to review the Group's performance and suggest areas for improvement to create long-term value for the Group. The laws as regulated by the Ministry of Land and Resources and the National Coal Mine Safety Administration, will be followed closely to make sure no exceedance occurs in the Coal Mine; and the guidelines outlined by the National Intellectual Property Administration will help protect the patents obtained by the building materials operations.

Certification and Accreditation

The Group's endeavour in assuring the quality and safety of working environments has rewarded Xiangnan Materials with the following certifications:

- ISO 9001 Quality Management System
- ISO 14001 Environmental Management System
- OSHAS 18001 Occupational Health and Safety Management System
- 2-star Green Building Materials Assessment Standard
- Intellectual Property Management System

Xiangnan Materials' effort in continuously developing innovative technologies that aid emission reductions has also been recognised. Some of the titles that it had been accredited with are:

- Nation's Model Enterprise for Innovative Energy Efficient and Reduction Technology
- Henan's Model Enterprise for New Wall Materials and Upgrade
- Henan's Model Enterprise for Innovative Energy Efficient and Reduction Technology
- 2019 Zhengzhou Major Science and Technology Project

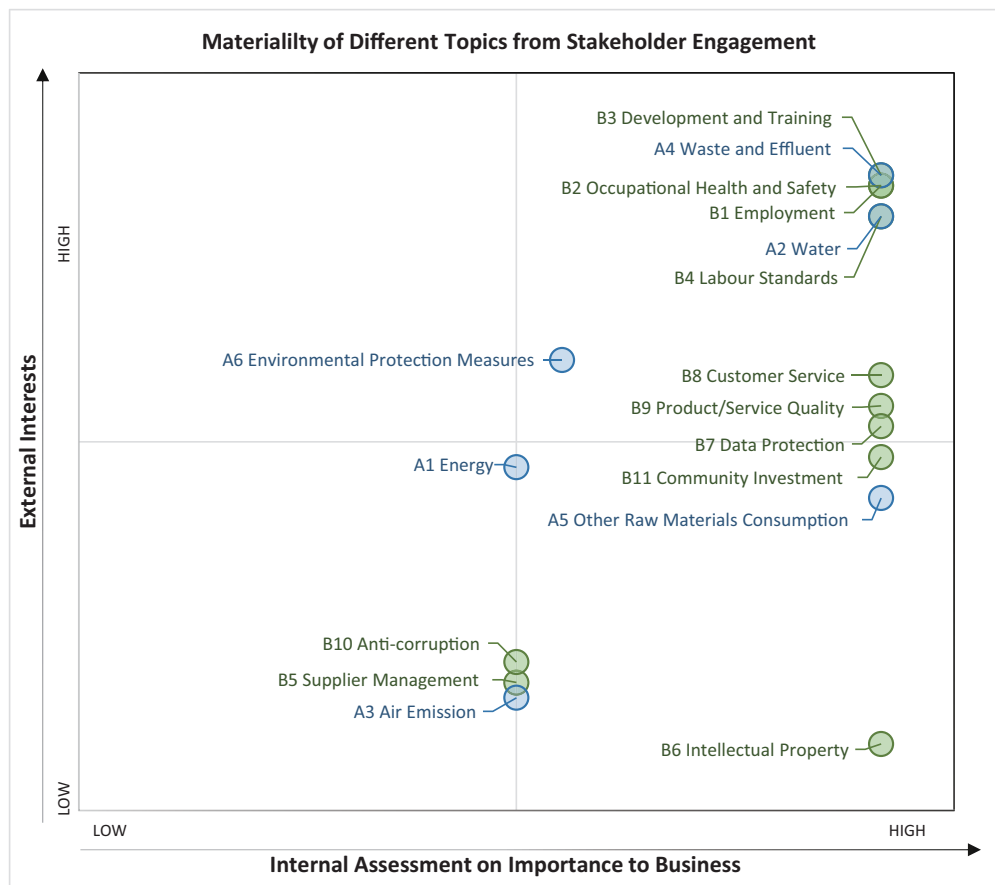
Future Development, Opportunities and Challenges

In the upcoming years, the Group expects that the slow-down of economic development and reduced proportion in domestic investment in the PRC will become the new normal. As a result, the demand for coal may slowly decline, imposing a challenge on the coal mining operations. Hence, the Group is more determined than ever to raise the quality of its products and open up new mines to sustain the business. On the other hand, the slow-down of the rapid development in cities also connotes that development will shift to suburban and rural areas. This suggests a sustained demand for building materials, which may bring about new opportunities for the building materials operations. To back the expected growth, the Group will invest in more advanced technology and use state-of-the-art systems to strengthen innovation and speed up development of new products. The adoption of technical reform measurement will give a basis for the Group to expand stably, geographically, and financially, and is expected to aid the Group's ability and capacity to continuously focus on its works in protecting the environment and safeguarding the rights of employees and its community.

Additionally, ESG issues will take a greater weight in future investments the Group makes. The Group will carefully assess factors such as environmental impacts, safety of working environments, risks associated, feedback from clients, etc. before making investment decisions. It hopes to only invest in operations that align with its visions.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

During the Reporting Period, the Group engaged with key stakeholders such as board members, senior management, frontline workers, suppliers, clients, and local regulators to understand their needs and concerns. To identify the most significant ESG aspects, the Group distributed quantitative surveys to collect stakeholders' feedbacks. An assessment was then carried out with results shown in the matrix as follows.





As suggested by the matrix, the topics that are regarded as most important to stakeholders are:

- Development and Training
- Waste and Effluent
- Occupational Health and Safety
- Employment
- Water
- Labour Standards

The above aspects were strictly managed through the Group's policies and guidelines. The Group will continue to identify areas of improvement for the concerned aspects and keep close communication with its stakeholders to share and exchange ideas for advancing the Group's ESG management.

STAKEHOLDERS' FEEDBACK

The Group welcomes stakeholders' feedback on its ESG approach and performance. Please give your suggestions or share your views with us via email at esg@rosanresources.com.

A. ENVIRONMENTAL

The Group has various environmental protection schemes that aims to mitigate potential environmental impacts that could be controlled and managed by the Group. For impacts that may be caused indirectly by the Group's activity, involving facilities or policies owned or controlled by another entity, the Group also tries its best to make full use of all the resources to achieve source reduction. See the following section for detailed description of such practices.

A1. Emissions

The Group stringently complies with national and local laws and regulations concerning environmental protection and pollution control, including but not limited to the followings:

- Emission Standard for Industrial Enterprises Noise at Boundary (GB 12348-2008);
- Integrated Emission Standard of Air Pollutants (GB16297-1996);
- Surface Water Environmental Quality Standard (GB3838-2002);
- Groundwater Quality Standard (GB/T14848-93);
- Standard of Environmental Noise of Urban Area (GB3096-93);
- Standards for Irrigation Water Quality (GB5084-92);

- 
- Discharge Standard for Coal Industry (GB20426-2006);
 - Emission Standard of Air Pollutants for Boilers (GB13271-2001);
 - Integrated Wastewater Discharge Standard (GB8978-1996); and
 - Class II of Cleaner Production Standard Coal Mining and Processing Industry (HJ466-2008).

No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste had been identified during the Reporting Period.

Air Emissions

During the Reporting Period, the Group emitted a total of 2.31 kg sulphur oxides (SO_x), 15.29 kg of nitrogen oxides (NO_x), and 1.48 kg of particulate matters (PM). They were contributed by the Group's vehicles operations. The coal mine and building manufacturing operation emitted insignificant amounts of such emissions, all of which were below permissible level set by the GB16297-1996 Integrated Emission Standards of Air Pollutants.

Greenhouse Gas Emissions

Greenhouse gases (GHG) were generated directly from the consumption of stationary and mobile fuel, and indirectly from the consumption of purchased electricity and steam, processing of freshwater and sewage, landfilling of waste papers, and air travels taken by employees for work purposes. During the Reporting Period, the Group emitted 9,227.41 tonnes of carbon dioxide equivalent (tCO₂e) of GHG (mainly carbon dioxide, methane and nitrous oxide), with an intensity of 0.002 tCO₂e/m², and 9.73 tCO₂e/employee.

Table 1 Sources of greenhouse gas emissions

Scope of GHG emissions	Emission sources ¹		GHG		Total GHG emission (%)
			Emission (tCO ₂ e)	Sub-total (tCO ₂ e)	
Scope 1 Direct emission	Combustion of fuels in stationary sources	Methanol ²	14.99	436.76	5
	Combustion of fuels in mobile sources	Diesel	10.97		
		Gasoline	410.80		
Scope 2 Energy indirect emission	Purchased electricity ³		5,479.05	8,722.09	94
	Purchased steam ⁴		3,243.04		
Scope 3 Other indirect emission	Paper waste disposed at landfills		3.58	68.56	1
	Electricity used for processing fresh water by government departments/third parties		64.68		
	Business Air Travels		0.30		
Total				9,227.41	100%

Note 1: Emission factors were made reference to Appendix 27 of the Main Board Listing Rules and their referred documentation as set out by Hong Kong Exchanges and Clearing Limited, unless stated otherwise.

Note 2: Emission factor of 0.54 tCO₂eq. per tonne of methanol was used for methanol, sourced from the Methanol Institute.

Note 3: Combined margin emission factor of 0.6063 tCO₂e/MWh was used for purchased electricity in Henan Province.

Note 4: Emission factor for purchased steam was sourced from the Department for Business, Energy & Industrial Strategy of the United Kingdom – Greenhouse gas reporting: conversion factors 2018; with the steam properties converted from the United States Department of Energy – the Steam System Modeler Tool (SSMT).

Hazardous Waste

The Group use small amounts of waste oil for motors maintenance. They were all collected and treated by registered and licensed collectors which were regulated by the local government had been reviewed and evaluated by the Group.

Non-hazardous Waste

The Group generated 63.58 tonnes of non-hazardous waste during the Reporting Period, with an intensity of 0.02 kg/m², or 67.07 kg/employee. Industrial waste was mainly contributed by coal gangue from Xiangyang Coal Mine, where 60 tonnes have been generated (which was under 5% of mined coal, per requirement of the State Asset Regulatory Commission), followed by office waste, which contributed 1.91 tonnes, and organic food waste from canteens and kitchens, making up 1.67 tonnes of the total amount of waste generated.

Measures to Mitigate Emissions

Direct emissions generated onsite are mitigated via various controlling measurement. See Table 2 for some of the measures adopted.

Table 2 Measures adopted to mitigate emissions

Purposes	Controlling measures
<i>To ensure air emissions are within regulated standards</i>	<ul style="list-style-type: none">• Regular maintenance for production facilities are arranged such that air is properly absorbed and filtered
<i>To prevent dust from swirling up in the air</i>	<ul style="list-style-type: none">• Water sprinklers are installed and continuously used within coal mines to suppress dust• All truck tires are cleaned before departing from operating facilities to avoid secondary pollution on roads
<i>To absorb air pollutants from the building materials manufacturing processes</i>	<ul style="list-style-type: none">• Newest models of dust collectors are installed
<i>To reduce emissions induced directly from operations</i>	<ul style="list-style-type: none">• Methanol are used in kitchens of canteens as a lower-emitting alternative to liquified petroleum gas (LPG)• Coal and boilers not used to generate energy• Boilers are retrofitted into heating exchange facilities to regulate temperatures for water and central heating• Readily available resources, i.e. steam, is used for power generation, instead of generating from raw materials

For measures on mitigating emissions induced indirectly from energy generation and power usage, see Section A2.



Wastes Handling and Reduction Initiatives

In the operating sites, clearly labelled waste collection points and bins are placed in different areas. Three main categories of bins are recyclables, household waste, or hazardous waste, respectively. They are properly managed and centralised for employees' effective collection.

To alleviate the burden put onto landfills by the Group's operations, production waste is recycled whenever possible to maximise resources' potential. When recycling is not an option, waste is collected by waste collectors regulated by the government to ensure they are handled properly.

Table 3 Handling methods for non-hazardous waste

Non-hazardous waste	Treatment method
<i>Coal gangue</i>	Sold to a downstream building materials company to make building materials
<i>Office waste</i>	Collected by regulated units
<i>Organic waste</i>	Collected by regulated units for electricity generation or nearby farmers for animal feeding purposes

To reduce the volume of waste produced, the Group actively takes the following measures:

- re-uses production scraps in the building materials manufacturing processes to reduce on-site industrial waste generation;
- provides proper training and daily supervision to production personnel to reduce the generation of scrap materials;
- utilises office automation (OA) to enable electronic/paperless office system and avoid paper documents wherever possible.

Other than self-reduction on waste, Xingan Materials is also keen on contributing to a reduction in waste disposed of in the area by involving itself in a circular economy. It fully implements the principle of "cradle to cradle" and utilises upstream industrial waste to produce building materials. Not only does it reduce the total waste generated by the upstream industries, but also contributes to resource saving by reducing reliance on virgin earth materials.

A2. Use of Resources

Energy Consumption

During the Reporting Period, the Group consumed 29,016,147 kilowatt-hour (kWh) of energy, with an intensity of 7.60 kWh/m², or 30,608 kWh/employee. The detail breakdown is as follows.

Table 4 Energy consumed

Energy source	Direct Consumption	Unit	Converted Consumption (kWh)
<i>Steam</i>	82,158,860	kg	18,420,064
<i>Electricity</i>	9,036,869	kWh	9,036,869
<i>Petrol</i>	152,396	litre	1,350,483
<i>Methanol</i>	27,754	kg	166,793
<i>Diesel</i>	4,194	litre	41,938

Note: Conversion factors were made reference to the IEA Energy Statistics Manual, 2006 IPCC Guidelines for National Greenhouse Gas Inventories, and the Alternative Fuels Data Center of the U.S. Department of Energy.

Steam, a by-product of its neighbouring power plant, was the main source of energy for Xingan Materials. In purchasing and making use of such steam, not only is Xingan Materials making well use of all energy generated from the production of certain resources, but also contributing to a smaller environmental footprint by reducing the use of raw materials, i.e. coal, that would otherwise have been used and generated additional emissions. Electricity was used throughout all operations, methanol, a lower-emitting source of energy as compared to LPG, was used for cooking in the operations' canteens, whereas petrol and diesel were used for its mobile vehicles.

Water Consumption

The total water consumption for the Group during the Reporting Period was 201,997 m³, 159,997 m³ of which was from municipal tap water, while 42,000 m³ were from Xiangyang Coal Mine's well. The intensity was 0.05 m³/m², or 213.08 m³/employee. Water was used for domestic purposes, the production of the operations did not require water.

Wastewater

A total of 264 m³ of wastewater was generated by the Group during the Reporting Period. Grey water is diverted directly into the wastewater collection pond then treated and regulated at a PH value of 6.5 – 7; at the same time, black water first gets through a septic tank for basic treatment, then joins grey water at the wastewater collection pond to be treated together. The wastewater is then treated by on-site sewage treatment plants. Treated water is recycled for internal use, and a small amount is discharged into nearby rivers; and sludge and sediments that are gathered from the sedimentation process is regularly collected by the municipal environmental and hygiene department for further treatment and processing. For pit water in the Xiangyang Coal Mine in particular, it is treated by inclined pipes settling tanks before being discharged. Various wastewater indicators including ammonia nitrogen (NH₃-N), chemical oxygen demand (COD), heavy metal, etc. are closely monitored for the water discharged. All discharged effluents were within permissible levels set by the Discharge Standard for Coal Industry (GB20426-2006).



Table 5 Permissible Discharge Levels of Water Discharge

Parameters	Permissible Discharge Levels	Average Detected Levels
<i>Biological Oxygen Demand (BOD)</i>	20 mg/L	9 mg/L
<i>Chemical Oxygen Demand (COD)</i>	60 mg/L	53 mg/L
<i>Total Suspended Solids</i>	20 mg/L	5 mg/L
<i>Kjeldahl Nitrogen</i>	20 mg/L	16 mg/L
<i>Ammonia Nitrogen</i>	8(15) mg/L	7.8 mg/L
<i>Animal or Plant Oil</i>	3 mg/L	2.1 mg/L
<i>pH value</i>	6-9	8.24
<i>Heavy metals</i>	1 mg/L	0.7 mg/L

Energy Use Efficiency Initiatives

In effort to minimise energy usage, the Group has adopted various measures as follows in some or all of its operations:

- powering streetlights by solar panels
- using energy efficient appliances
- preventing the generation of energy from raw materials, using only steam generated by neighbouring electricity plants to power operating sites
- reusing steam used in production processes for heating in office buildings and employee accommodations
- all patented technology, main products, raw materials, and production processes are in line with the government policy of energy conservation

Water Use Efficiency Initiatives

Xiangyang Coal Mine sourced water from its own well, which is licensed with the Groundwater Abstraction Permit, while Xiangnan Materials and Henan Office obtained water from municipal tap water. There was no issue in sourcing water fit for purpose. Both the coal mine and building materials manufacturing operations did not require water for production purposes. All water was used for domestic daily use.

The Group continuously conserves water resources. To control water used within bathrooms, the Group has installed flow controllers to water taps. Domestic water from daily usage is also recycled, whereas they are treated properly according to standards and gathered to be reused. The recycling rate of water from the coal mine and building materials operations was up to 90-95%. After water has been treated in the sewage treatment plant in the operating sites, it will be joined by rainwater collected for the following purposes:

- irrigation of green areas, such as lawn and shrubs, within the operating sites
- spraying water for dust suppression in coal mine and rinsing tyres to prevent contaminating roads

- stored in cisterns in case of a fire or emergency
- discharged for irrigating nearby farmlands and fields

Packaging Materials

The Group did not consume packaging materials during the Reporting Period.

A3. The Environment and Natural Resources

The Group continuously monitors its air emissions, solid waste generation, wastewater discharge, and noise level to minimise its impacts on surrounding environments and to create a healthy environment for its workers. The Group did not receive major complaints from surrounding communities regarding air pollution, odour, noise, or other environmental pollution incidents during the Reporting Period.

Significant Impacts of Activities on the Environment

Direct and indirect environmental impacts that may be generated by the Group if environmental policies are not taken seriously mainly include the following.

Table 6 Potential Environmental Impacts that the Group’s Operations May Bring About

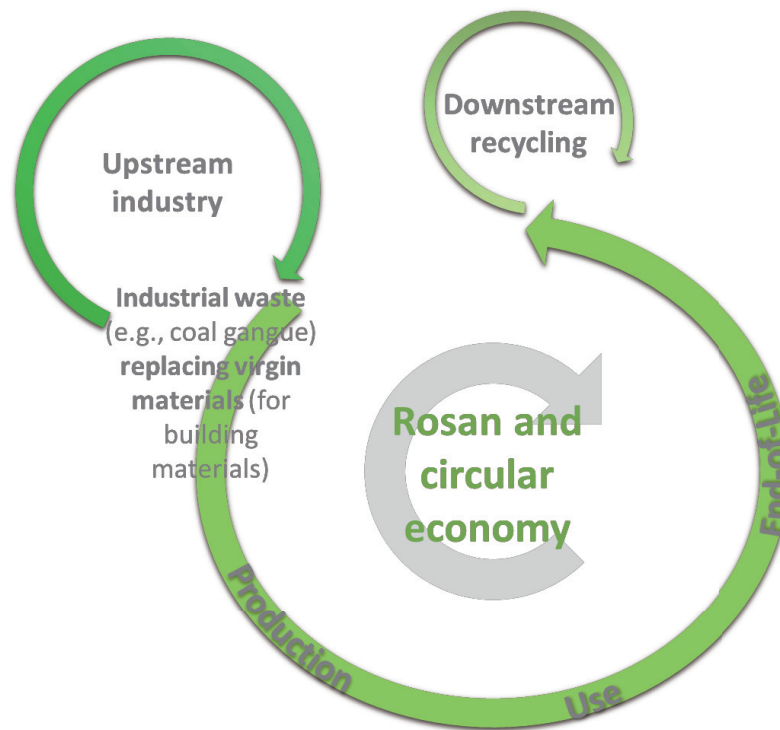
Potential Environmental impacts	Sources of Environmental Impacts
<i>Depletion of non-renewable resources (coal)</i>	Use of coal in mining operations at the Xiangyang Coal Mine
<i>Air and noise pollution</i>	Fumes, PM, inorganic and organic chemicals, noises, from manufacturing processes at Xingan Materials; NOx, SOx, PM emitted from Group-owned vehicles
<i>Eco-toxicity impacts</i>	Leaching at landfills with hazardous and non-hazardous waste; Depletion of water resources from contamination by organic and inorganic chemicals and heavy metals
<i>Indirect impacts on global warming</i>	Hazardous and non-hazardous waste disposal at all operational sites; Processing of wastewater containing organic or inorganic chemicals and heavy metals; NOx, SOx, PM emitted from Group-owned vehicles; Consumption of purchased electricity and other fuel

To address air pollution and greenhouse gas emissions, thus impacts of global warming, the Group has been actively shifting towards the use of low-emitting resources. In terms of water discharge and waste disposal, the Group has been monitoring their compositions and minimising toxic components to perform beyond the government’s requirement. To preserve natural resources, the Group has been adopting more advance production techniques to make use of resources available and reduce dependency on raw materials. The operation also utilised most of the waste generated onsite, to achieve a closed-loop and circular product system. All standards outlined by the government are bounded by. The Group will continue to keep a close eye on any updates of relevant laws and regulations, such as the newly revised Environmental Protection Law and the Cleaner Production Promotion Law to outperform in its environmental performance.

Resources Conservation

Xingan Materials demonstrates a strong desire to support the promotion of industrial symbiosis and circular economy. It converts the conventional “cradle to grave” product life cycle to “cradle to cradle” cycle. Not only does the company use 100% industrial waste as raw material for making building products, they are also 100% recyclable as either a recycled concrete aggregate or in other applications during the End-of-Life stage.

It also does not use coal as a source of energy. Instead, it uses steam, a by-product of its neighbouring electricity plant, to power its site. This not only helps make use of excess energy available from another plant, it also reduces the use and combustion of new raw materials, conserving resources and reducing emissions.



Energy Saving Product

In addition to the direct contribution to resource saving and waste reduction during the production stage, the wall bricks manufactured by Xingan Materials also acts well as thermal mass for energy saving during the consumption stage. This is attributed by the bricks’ nature of being highly dense, which makes heat not easily transferable through walls unless under massively high temperature. Thus, during summer, the houses are comfortable as the bricks would absorb heat during the day and releases it by night to cooling breezes; in winter time, homes are kept warm with bricks having stored heat from the sun in daytime and released it at night. A big difference to comfort and energy saving is made.



B. SOCIAL

1. Employment and Labour Practices

The Group stringently complies with national and local laws and regulations concerning employment and labour practices, including but not limited to the followings:

- Labour Law of the PRC;
- Labour Contract Law of the PRC;
- Law of the PRC on the Protection of Rights and Interests of Women;
- Law on the Protection of Minors;
- Law on the Protection of Disabled Persons;
- Law on Trade Unions of the PRC;
- Social insurance law of the PRC;
- Special Rules on the Labour Protection of Female Employees;
- Regulation on Paid Annual Leave for Employees; and
- Provisions on the Prohibition of Using Child Labour.

The Group acknowledges that policies, safety and health protection, training arranged, and practices of recruitment for employees are all material topics identified in the stakeholder engagement surveys. With that in mind, the Group has paid attention in abiding by policies that were outlined to safeguard employees' rights, which will be described in the following sections.

B1. Employment

During the Reporting Period, no non-compliance with relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare had been identified. In Xiangyang Coal Mine, these practises were regulated by the following internal policies:

- Employee Compensation Management Regulations;
- Recruitment and Employment Management System;
- Staff Attendance and Leave Management Regulations; and
- Interim Provisions on Management of Employee Dimission



In Xingan Materials, similar policies also oversee its employment practices, they include:

- Employee Compensation Management system;
- Performance Appraisal Management System;
- Recruitment Management System;
- Staff Attendance and Leave Management Regulations; and
- Labour Contract Management System

Benefits and Welfare

The Group ensures employees' benefits and welfare are provided under applicable laws and regulations. Employees are entitled to basic compensation and benefits packages, including minimum wages, legally mandated breaks, annual leaves, social insurance and pension. Working hours are arranged in accordance with the law and according to the employee's specific job position. If overtime working is required, employees must seek approval in advance via the standard procedure.

Recruitment, Promotion, and Dismissal

The recruitment procedure is guided by the Labour Law of the PRC. The internal Rewarding and Penalty Procedure defines detailed criteria on rewarding, penalty and incentive regulations. The appraisal system is result-oriented and guided under principles of justice, fairness, and objectivity. Employees may face termination of labour contracts and be dismissed if certain policies have been violated.

Equal Opportunity and Anti-discrimination

The Group is committed to providing equal opportunities and equal pay for all employees on the basis of their experience, ability, qualifications, etc. No employees shall be discriminated against or deprived of opportunities for recruitment, promotion, assessment, training, development or other aspects on the basis of gender, racial background, religious belief, colour, sexual orientation, age, marital status or family status.

Employees Communication

The Group is keen on establishing close ties with its employees to raise their sense of belonging. During the Reporting Period, the Group has held annual dinners, cross-department meal gatherings, outdoor education, sports day, etc. The Group also stresses on employees' personal performance and development. If it is realised in daily work and communication that employees' behaviours changed, and that they may require physical or mental counselling, the Group will also provide emotional support, let them take rest, and do relevant check-ups.

Total Workforce

As of 31 December 2019, a total of 948 employees were employed at Xiangyang Coal Mine, Xingan Materials, and Henan Office. All of them were full time employees from the PRC.



Figure 1 Total Workforce by Employee Level

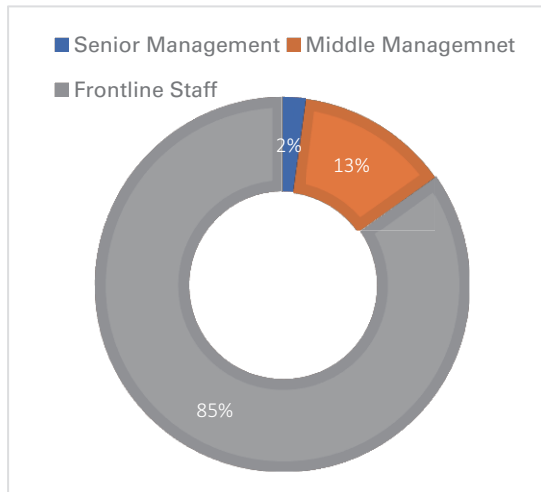


Figure 2 Total Workforce by Age

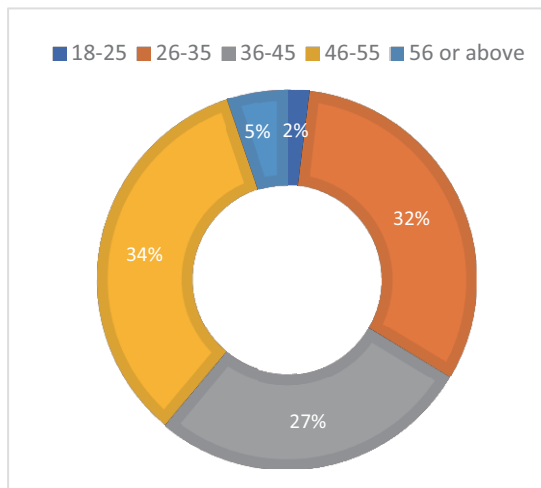
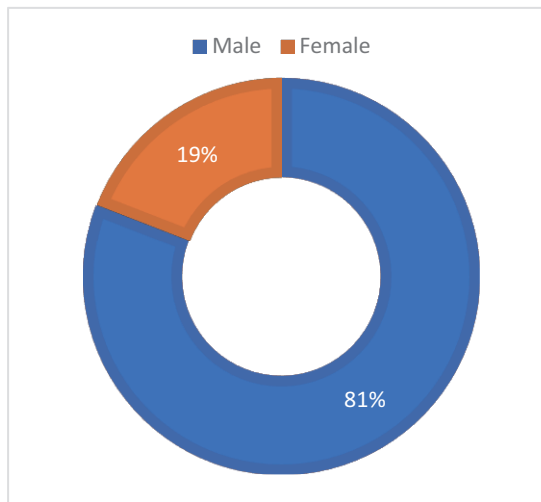


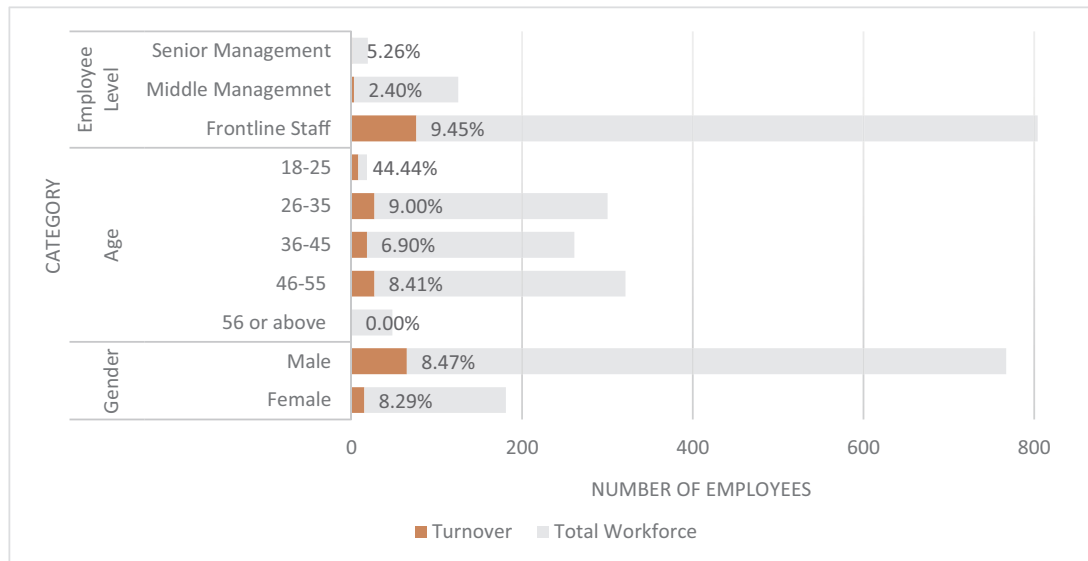
Figure 3 Total Workforce by Gender



Employee Turnover Rate

The overall employee turnover rate was around 8% during the Reporting Period.

Figure 4 Turnover Rate per Category



B2. Employee Health and Safety

The Group highly values the importance of providing a safe and accident-free working environment to employees. It has established the Occupational Hazard Preventive and Control Steering Committee to be responsible for following relevant laws and regulations such as, Law of the PRC on the Prevention and Control of Occupational Diseases, and Law on Safety Production. The Committee also continuously implements, reviews, supervises, monitors and reports to management regarding its occupational health and safety practices. The Group treats workplace health and safety as a continuously improving process, and frequently reviews to improve its safety management system processes to establish an injury-free workplace. No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards could be identified during the Reporting Period.

Work-Related Fatalities

There was no fatality in the Group's operations during the Reporting Period.

Lost Days due to Work Injury

There were no recorded lost days due to work injury during the Reporting Period.



Occupational Health and Safety Measures Adopted

The emission of dust, SO_x, NO_x, PM, inorganic and organic chemicals, flue gas, noises, may all impose negative health impacts on employees. The working environment of the coal mine and building materials plant especially is not risk-free. The Group operates under the principle of “people-oriented, prevention approach, integrated management” to implement occupational disease preventive measures and strengthen control at the risk sources to eliminate potential hazards. Detail occupational health and safety related guidelines and policies have been written for employees’ reference and compliance.

To evaluate the health and safety of the working environments of the coal mine and building materials plants, the Group monitors its performance via several measurable metrics, including indoor air pollutants level, noise level, and temperature. To protect employees from these environmental threats, the Group has a guideline which directs the types of protective equipment that each work position shall wear. Policies on conditions that employees must be attentive to, such as temperature and pressure, warning signage and posts, noise and air levels, are also well established and to be followed. Xingan Materials specifically also follows ISO 18000 to monitor occupational hazardous materials in the workplace.

To ensure that accidents are avoided when employees operate machines, all personnel operating special machines must be licensed; detailed operation manuals are written to be followed and checked with by employees. The Group also instructs employees to carry out regular examinations on machines to ensure that they are functioning normally.

To ensure the quality of food products served in the Group’s canteens, several measures are also adopted. This include, the frequent cleaning and inspection of the safety and hygiene in the kitchen area, and various controlling measures regarding its food suppliers as listed on Section B5.

B3. Development and Training

The Group encourages its employees to continuously learn and strengthen their knowledge and performance. Therefore, a range of training are arranged for employees based on their needs. To familiarise employees with their duties and responsibilities, all new employees get training on the Employees’ Handbook upon commencement of their work. Monthly and annual training plans are also outlined for different employees to enhance their skills, which is also motivated by individual skills-based competitions that the Group helps employees apply for. On top of internal training led by the Group, external classes on various topics are also covered and paid for. Some training that the Group has given specific attention on are, leadership skills, special types of work, occupational health and safety, etc.

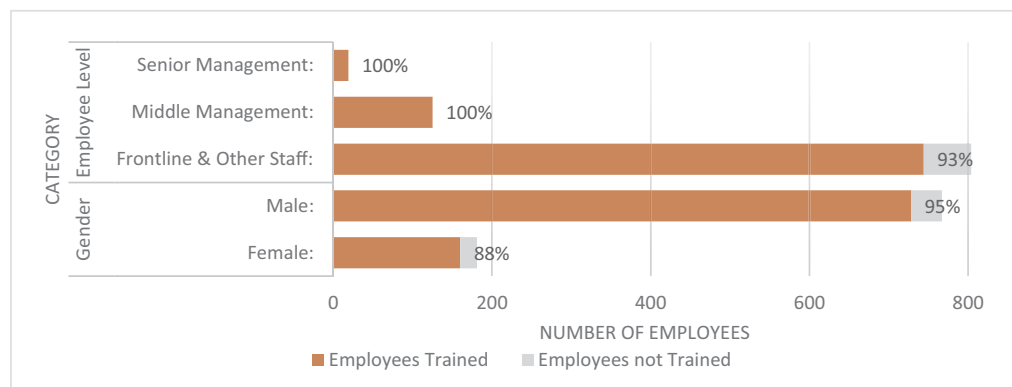
For Xiangyang Coal Mine specifically, relevant personnel have been sent to attend external technical training sessions about coal mine safety. The trained employee will obtain corresponding qualification certificate through examination.

In Xingan Materials, employees are encouraged to engage in personal training via one-to-one on-job training for apprenticeship within the company, internal management, personal etiquette, corporate culture, and, business communication training for upstream and downstream partners.

Percentage of Employees Trained

During the Reporting Period, 94% of employees received training.

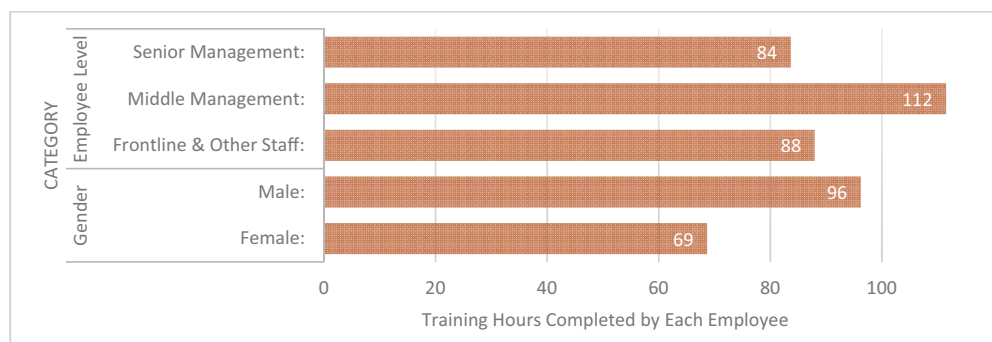
Figure 5 Percentage of Employees Trained by Category



Training Hours Completed per Employee

A total of 96,253 hours of training were completed by employees, with an average of 91 hours completed by each employee on average

Figure 6 Average training hours per employee



B4. Labour Standards

Measures to Review and Avoid Child and Forced Labour

The Group strictly follows relevant laws and regulations such as Labour Law and Labour Contract Law of the PRC, Provisions on the Prohibition of Using Child Labour. Background check is conducted for every new employee to ensure compliance with all applicable laws. Every mine worker is also required to register and obtain the mine entry permit from the Coal Bureau. If it is found that applicants have provided forgeries, they will not be recruited.

No child labour, forced, or compulsory labour was reported or identified within any sites of the Group during the Reporting Period. There are no major risks associated with incidents of child Labour, forced or compulsory labour within the Group's business operation.

Steps Taken to Eliminate Such Practices when Discovered

If it is found that child or forced labour is in force only after they have commenced work, the Group will cease arranging work for relevant parties immediately. Contracts will be terminated, and relevant employees are to be dismissed.



2. Operating Practices

B5. Supply Chain Management

Number of Suppliers

Xiangyang Coal Mine and Henan Office together had 35 major suppliers which were all from the PRC. They provided supplies such as machinery, raw materials, office equipment, etc.

Practices Relating to Engaging Suppliers

The Group understands the importance of establishing policies to manage the environment and social risks of the supply chain. Hence, a few ESG-related requirements are in place as preconditions for potential suppliers to be engaged.

In terms of environmental requirements, all new suppliers should meet the following thresholds:

- hold the Environmental Management System Certification;
- materials and parts provided for the Group must meet the standards set by the country; and
- have an ethic to be protective of the environment, provide opportunities for green consumption, and achieve harmless production and consumption models.

In terms of social requirements, suppliers that are well-reputed, credible, with products that are excellent in quality are prioritised. In terms of food safety requirements, the following must be met:

- the national standard on wrapping film;
- avoid any food packaging pouches that contain contaminating materials, such as benzene;
- food packaging must be smooth, no scratches, scalds, air bladders, creases, improper seals should be found; and
- environmentally friendly materials should be used for labels on packaging.

In general, the Group encourages suppliers to maintain a high standard on business ethics and conducts, with satisfactory environmental and social performance. Supplies are assessed and their production environments are inspected regularly. When certain products are not up to expectation, the Group may consider more in-dept evaluations, refunds, or complete rectification if necessary. If continuous dissatisfaction has been performed by individual suppliers, the Group may cease cooperation with them and replace them with new suppliers to ensure the structure of its supply chain is stable and reliable.



B6. Product Responsibility

Product Labelling, Health and Safety, and Advertising

Xiangyang Coal Mine delivers raw coal to clients without product labelling and advertising, following the Material Management System. Xingan Materials delivers products per clients' requirement and all product labelling activities strictly follow applicable laws and regulations such as the Trademark Law of the PRC. False advertising and price gouging are strictly prohibited. No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling, and privacy matters relating to products and services provided had been identified during the reporting period.

Quality Assurance

For Xiangyang Coal Mine, the quality and quantity of coal product are continuously monitored to ensure that various parameters meet pre-defined standards. The Quality Inspection System also assures that raw materials meet the quality requirement. During the Reporting Period, no product recall or customer complaints regarding product quality was received.


For Xingan Materials, the company has a well-established quality control system at multiple stages at the site to control the quality of its products, including upon arrival of raw materials, when stored at warehouses, during production, and after completion of the products. Any non-complying products found during the quality inspection will be reprocessed directly, to avoid further circulation to customers. There is also a customer service centre that is responsible for handling after-sales enquiries regarding the products' quality. Issues will be delegated to responsible parties once the problems are identified. Due to the high degree of automation, the company rarely found any product quality issues.

Data Protection

The Group ensures strict compliance with the statutory requirements to fully meet a high standard of security and confidentiality of personal data privacy protection. Xingan Materials has formulated a Confidentiality Regulation regarding data protection in case of the following circumstances.

Leak of Information Due to Theft or Virus Attack

In prevention of virus attacks from external parties, firewalls are installed to protect the Group's data. Access to the Group's website and its resources is limited for visitors, whose identity may be verified prior to the visit; information and sensitive data may be encrypted into codes, and the network may be segmented, such that the information would not be understandable even leaked.



Breach or Engagement in Trade of Sensitive Data

To prevent employees from engaging in activities that may impose a negative impact on the Group's interests, the Group has made the cost of such behaviour high. In the breach of confidentiality, in one of the following circumstances, a warning shall be given and a fine of no more than 1,000 yuan shall be imposed:

- leaking company secrets without causing serious consequences or economic losses; and
- taking remedial measures after disclosing the company's secrets.

In one of the following circumstances, the employee shall be dismissed immediately and compensated for any economic losses caused to the Group:

- intentionally leaking company secrets, resulting in serious consequences or major economic losses;
- stealing or selling company secrets in violation of the provisions of this system; and
- forcing others to violate confidentiality provision.


Information will also be backed up regularly to retain original information in case if they are altered, and erased from time to time or lessen the scale of a leak when it happens. There were no non-compliance cases noted in relation to investment practices and data privacy that had a significant impact on the Group during the Reporting Period.

Intellectual Property (IP)

Xingan Materials has formulated Patent Management Policy regarding IP protection. To incentivise innovation, Xingan Materials recognises employees who are involved in obtaining authorised patents recognised by national professional institutions with annual patent awards. The Group ensures the novelty and confidentiality of IP projects and manages all granted IP according to the Patent Law of the PRC. To ensure that employees do not violate IP related regulations, terms relating to IP rights present on employees' contracts, and training on IP rights are also provided for employees to familiarise them on relevant matters. As of 31 December 2019, the Group has obtained 32 utility model patents. There were no disputes in regards of IP rights during the Reporting Period.

B7. Anti-corruption

The Group has not violated, or engaged to violate, any law relating to corruption. The Group has not been involved in, or sought to engage in, money laundering. The Group has not aided, abetted, assisted or colluded with an individual who has committed, or conspired to commit any unlawful activities. No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to corruption, bribery, fraud and money laundering had been identified during the Reporting Period.



Preventive Measures and Handling Methods

To ensure the business conducts ethically, the Group strictly follows regulations and regulatory documents related to commercial bribery as outlined in the Constitution of the PRC, Anti-Unfair Competition Law of the PRC, Criminal Law of the PRC, etc. The Group has whistle-blowing procedures with private communication channels established, it also enforces mutual supervision mechanism between departments to avoid related risks. In case if malpractice, embezzlement, bribes are discovered, relevant employees will be dismissed with immediate effect.

B8. Community Investment

The Group strives to implement corporate social responsibility and actively participates in public welfare activities. The Group has not formulated internal policy regarding community investment. Nevertheless, the Group regularly visits villages surrounding Xiangyang Coal Mine to provide assistance to difficulties villages encounter and liaise on matters regarding the coal mine's impacts on the community and the community's interests. After understanding the communities' opinions, works have been done to minimise the impact of the Group's operations on the communities. For example, the 1,346 man-hours have been inputted by the Group's employees to clean roads and streets; roads are watered three times a day for dust suppression purposes; and temple gatherings were held for the village. On top of that, the Group also has regular health checks and vocational training for employees, and education sponsorship programmes for children of employees going through financial difficulty.

